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TO RUEHC/SECSTATE WASHDC IMMEDIATE 7137
INFO RUEHCP/AMEMBASSY COPENHAGEN PRIORITY 2481
RUEHHE/AMEMBASSY HELSINKI PRIORITY 8037
RUEHRK/AMEMBASSY REYKJAVIK PRIORITY 0857
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SUBJECT: LENDIN' COUSINS: NORWAY SUPPORTS CASH-STRAPPED ICELAND

REF: OSLO 567

¶1. Summary. On November 3, Norwegian FM Jonas Gahr Stoere met with Icelandic PM Geir Haarde and FM Ingibjorg Gisladottir in Reykyavik. Pending parliamentary approval, the GON will extend the duration of its existing 500 million euro revolving loan (Reftel) until late 2009. A second 500 million euro loan will be made, payable by 2013. The GON and Iceland also signed an oil and gas agreement for cooperation on Iceland's Continental Shelf (ICS), while Stoere called for Nordic cooperation in Russia relations. End Summary.

It's in the Family, Speaking the Language of Money

¶2. Norwegian media reports that the extension of the GON's existing loan and the new 5 year loan, comprising a combined lending amount of 1 billion euros, will pass Parliament. Norwegian parliamentarians across the political spectrum solidly support the measure. One Christian Democrat parliamentarian, questioned as to the likelihood of the bill passing, stated that "blood is thicker than water." Media reports stress that it is Norway's ethical duty to help Iceland, and doubt that any money loaned to their neighbor will be lost. Norwegian popular support for Iceland extends beyond kinship. Icelandic PM Haarde is a fluent Norwegian speaker, further warming up the Norwegians to the Icelandic cause.

A Kroner Saved is a Kroner Earned

¶3. Norwegian media has been speculating for several weeks as to why the GON did not step in more quickly with aid to Iceland. The GON and other Scandinavian countries were apparently awaiting completion of the IMF's 6 billion USD stabilization package before moving forward. Under that now final Plan, the IMF will directly provide 2 billion USD, with countries providing the unmet need. The Nordic Council of Ministers, led by Sweden, will coordinate management of Scandinavian assistance, including the GON's two loans.

Brotherly Cooperation: Energy, Russia

¶4. The GON and Iceland signed an oil and gas agreement, building upon a 1981 MOU which grants the GON a 25% stake in ICS development. Iceland is planning to open up portions of the ICS for exploration.

¶5. Stoere's trip included speaking at the University of Reykjavik, visiting the Norwegian Labor Party's Icelandic equivalent, and an interview with the Icelandic daily Morganbladit. During that interview, Stoere called for

Nordic cooperation in dealings with Russia, referencing the need for solid, predictable and useful discussions on issues such as polar cooperation.

WHITNEY